

Message Text

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SUBJ: NUCLEAR ENERGY: STILL IN THE STARTING GATE

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SUMMARY. AN INTER-MINISTERIAL DISPUTE APPEARS TO BE JEOPARDIZING IMPLEMENTATION OF THE NUCLEAR PORTION OF THE ITALIAN NATIONAL ENERGY PLAN (NEP), APPROVED IN PRINCIPLE IN DECEMBER, 1975. DISPUTE CONCERNS SELECTING COMPANIES TO BUILD REACTORS FORESEEN UNDER THE PLAN. BEHIND THE SCENES, POLITICAL AND COMPANY MANEUVERS CAN BE DISCERNED. STAKES FOR THE COMPANIES INVOLVE DIVISION OF CONTRACTS ESTIMATED AT US DOLS 16 BILLION; FOR ITALY, AT STAKE IS ACTIVATION OF THE NUCLEAR PROGRAM, UNLIKELY TO BEGIN UNTIL THE ARGUMENT IS RESOLVED. DANGER, AS SEEN BY EMBASSY, IS (A) DECLINE IN PUBLIC ACCEPTANCE OF NUCLEAR ENERGY AND (B) THAT DELAY AND POLITICAL IN-FIGHTING NOW GOING ON WILL EVENTUALLY LEAD TO REVISED ITALIAN ENERGY POLICY, MORE INTERNALLY-ORIENTED AND LESS COHERENT THAN PRESENT GOI PLAN. END SUMMARY.

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1. LONG-STANDING DIFFERENCES BETWEEN MINISTER OF INDUSTRY CARLO DONAT CATTIN AND MINISTER FOR STATE PARTICIPATIONS ANTONIO BISAGLIA - BOTH CHRISTIAN DEMOCRATS -- OVER MAJOR ELEMENTS OF ITALIAN ENERGY POLICY HAVE RECENTLY SURFACED IN PUBLIC POLEMICS. OPENING BATTLES WERE FOUGHT DURING FALL 1975 WITH THE INTERMINISTERIAL PLANNING COMMITTEE (CIPE) AS THE PRIMARY BATTLEGROUND. DONAT CATTIN SUCCEEDED IN IMPOSING THE POLICY LINE EMBODIED IN HIS DRAFT NATIONAL ENERGY PLAN (NEP), WHILE BISAGLIA SUCCEEDED IN BLOCKING THE HIGH ENERGY COMMISSARIAT, THE MAJOR ORGANIZATIONAL INNOVATION WHICH WOULD HAVE UNITED ALL GOI-CONTROLLED ENERGY PRODUCERS (PETROLEUM COMPANY ENI, ELECTRICITY PRODUCER ENEL AND NUCLEAR ENTITY (CNEN) UNDER A SINGLE, MINISTERIAL-LEVEL DIRECTOR. PRESENT DIFFERENCES FOCUS UPON TECHNOLOGY AND COMPANIES SLECTED TO BUILD THE NUCLEAR POWER PLANTS FORESEEN IN THE NEP'S NUCLEAR SECTION. CIPE'S DECEMBER 1975 APPROVAL SUPOSEDLY RATIFIED FONAT CATTIN'S PROPOSAL THAT ITALY'S NUCLEAR POWER PLANTS WOULD BE DIVIDED EQUALLY BETWEEN CONSORTIA LED BY GOI-CONTROLLED ANSALDO MECCANICA NUCLEARE-AMN (FINMECCANICA GROUP), USING GENERAL ELECTRIC'S BWR TECHNOLOGY, AND ELETTRONUCLEARE ITALIANA-ELNI (FIAT AND GOI CONTROLLED BRED), USING WESTINGHOUSE'S PWR TECHNOLOGY. DONAT CATTIN HAS ACCUSED BISAGLIA OF BLOCKING NEP ACTIVITATION TO PERMIT PARTICIPATION BY EXCLUDED CONTENDER SPIN (CONSORTIUM OF SWISS-OWNED BROWN BOVERI'S ITALIAN AFFILIATE TECNOMASIO ITALIANA BROWN BOVERI-TIBB AND U.S.-OWNED BABCOCK AND WILCOX (B&W) USING B&W'S PWR TECHNOLOGY). BISAGLIA'S OFFICIAL REPLY TO DONAT CATTIN EMPHASIZES THE NEED FOR OPEN BIDDING, AT LEAST PARTLY TO AVOID POSSIBLE LEGAL CHALLENGES BY COMPANIES EXCLUDED A PRIORI.

2. BEHIND THE POLEMICS, MANEUVERING IS APPARENT AS THE INTERESTED COMPANIES JOCKEY FOR POSITION. PARTICULARLY ACTIVE HAS BEEN SPIN, LED BY TIBB PRESIDENT GIUSEPPE PELLICANO', WHO IS ALSO PRESIDENT OF THE INFLUENTIAL LOMBARDY INDUSTRIALISTS ASSOCIATION, ASSOLOMBARDA. PELLICANO' HAS AN UPHILL BATTLE TO CONVINCE THE GOI THAT BABCOCK AND WILCOX'S UNTESTED (AT LEAST IN EUROPE) TECHNOLOGY IF VIABLE; OTHER OBSTACLES ARE FACT THAT ITS MADE-IN-ITALY CONTENT IS MARKEDLY LOWER THAN THAT OF EIGHT GE OR WESTINGHOUSE AND DOUBTS (JUSTIFIED, ACCORDING TO SPIN'S COMPETITORS) THAT SPIN IS LIMITED OFFICIAL USE

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CAPABLE OF FURNISHING NUCLEAR REACTORS WITHOUT A LOOG TOOL-ING PERIOD. PELLICANO'S TACTICS HAVE CONCENTRATED ON BLOCKING ACTION ON THE NEP UNLESS SPIN RECEIVES DUE CONSIDERATION. ALTHOUGH HOTLY DENIED BY NATIONAL INDUSTRIALISTS' CONFEDERATION-CONFINDUSTRIA REPRESENTATIVES AND PUBLICLY BY PELLICANO'S HIMSELF, PELLICANO'S POSITION AS PRESIDENT OF ASSOLOMBARDA HAS BEEN A KEY FACTOR IN THE SUCCESS OF

HIS TACTICS. MORE SERIOUS IS THE ALLEGATION THAT SPIN WAS APPARENTLY BEHIND PUBLICITY QUESTIONING THE SAFETY PERFORMANCE OF GENERAL ELECTRIC'S BWR TECHNOLOGY.

3. POLITICAL FACTORS ENTER AS WELL. MOTIVE OF BISAGLIA'S APPARENT EFFORTS TO PLACE SPIN IN CONTENTION IS DIFFICULT TO DETERMINE. AS MINISTER FOR STATE PARTICIPATIONS, HIS PUBLIC ROLE IS OSTENSIBLY TO SAFEGUARD THE INTERESTS OF ITALY'S PUBLICLY-HELD COMPANIES, REPRESENTED ONLY IN THE CONSORTIA USING GE AND WESTINGHOUSE TECHNOLOGY. HOWEVER, SINCE BISAGLIA AND DONAT CATTIN REPRESENT THE RIGHT AND LEFT WINGS RESPECTIVELY OF THE CHRISTIAN DEMOCRATS, INTRA-PARTY POLITICS MAY ACCOUNT FOR BISAGLIA'S POSITION.

4. THE COMPANIES STAKES ARE ENORMOUS. ITALY'S NEP CALLS FOR BUILDING 20,000 MW OF NUCLEAR GENERATING CAPACITY BY 1985. ORIGINAL PLANS CALLED FOR DIVIDING THE ESTIMATED US DOLS 16 BILLION COST EQUALLY BETWEEN AMN (GE) AND ELNI (WESTINGHOUSE). ADDING SPIN, AND EVENTUALLY THE CANADIANS WITH CANDU TECHNOLOGY, SIGNIFICANTLY REDUCES EACH COMPANY'S SHARE. FOR GE, ITALY IS VIRTUALLY THE ONLY SIGNIFICANT EUROPEAN MARKET STILL OPEN AFTER FRANCE AND GERMANY DECIDED IN FAVOR OF PWR TECHNOLOGY. FOR TIBB AND B&W, THE STAKES ARE PERHAPS EVEN MORE IMPORTANT. IF B&W'S PWR TECHNOLOGY IS TO GAIN A FOOTHOLD IN EUROPE, IT WILL HAVE TO BE IN ITALY. FOR TIBB, SURVIVAL MAY BE JEOPARDIZED. IN RECENT YEARS TIBB HAS SUFFERED SUBSTANTIAL LOSSES AND IS RUMORED TO BE NEAR BANKRUPTCY. DONAT CATTIN HAS PROPOSED KEEPING TINN ALIVE WITH RODERS FOR CONVENTIONAL EQUIPMENT, BUT PELLICANO'S WANTS TO PARTICIPATE IN THE NUCLEAR FIELD AS WELL.

5. ITALY'S STAKES ARE NOT INSIGNIFICANT. ACCORDING TO DONAT CATTIN, CONCENTRATING ITALY'S EFFORTS IN TWO TECH-LIMITED OFFICIAL USE

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NOLOGIES WILL PERMIT ITALIAN INDUSTRY TO ASSUME EUROPEAN DIMENSIONS AND IMPORTANCE AND PROVIDE THE TECHNOLOGICAL BASE FOR AN ITALIAN NUCLEAR INDUSTRY INDEPENDENT OF FOREIGN LICENSES. THIS AIM IS BOLSERED FURTHER BY CHOOSING GE AND WESTINGHOUSE TECHNOLOGIES SINCE THE LOCALLY-MANUFACTURES COMPONENT IS SIGNIFICANTLY HIGHER.

6. COMMENT. THE DISPUTE BETWEEN DONAT CATTIN AND BISAGLIA HAS NOT RPT NOT CALLED INTO QUESTION ITALY'S BASIC CHOICE OF NUCLEAR ENERGY. HOWEVER, COMPANY AND POLITICAL MANEUVERING AND ATTENDANT UNFAVORABLE PUBLICITY DELAY IMPLEMENTATION OF THE ITALIAN NUCLEAR PLAN AND JEOPARDIZE PUBLIC ACCEPTANCE OF NUCLEAR ENERGY. SOME DELAYS ARE INEVITABLE; FOR INSTANCE, FINANCING HAS NOT BEEN OBTAINED AND PROBLEMS OF

LOCAL APPROVAL OF SITES ARE UNRESOLVED. THE DONAT CATTIN-BISAGLIA DISPUTE POSTPONES SERIOUS ACTION NECESSARY TO RESOLVE THESE AND OTHER PROBLEMS. THE RESULT IS A CORRESPONDING DELAY IN FULFILLING ITALY'S COMMITMENTS TO IMPLEMENT THE ALTERNATIVE ENERGY GOALS SUBSCRIBED TO IN THE INTERNATIONAL ENERGY AGENCY AND ELSEWHERE. THE CHARGES AGAINST GE'S BWR TECHNOLOGY NOT ONLY DAMAGE GE'S ITALIAN POSSIBILITIES, BUT FOCUS EFFORTS BY THOSE OPPOSED TO NUCLEAR ENERGY GENERALLY, SUCH AS SOME ENVIRONMENTAL GROUPS AND LOCAL INTERESTS, AND BY THOSE OPPOSED TO THE US INDUSTRIAL ROLE IN ITALIAN ENERGY PLANNING. LATTER INCLUDE THE SOCIALIST PARTY (PSI), COMMUNIST PARTY (PCI) AND VARIOUS UNION LEADERS AND NATIONALIST INTERESTS.

7. A FURTHER CONSEQUENCE IS POSSIBILITY THAT THE NEP WILL BE SUBJECTED TO A PARLIAMENTARY DEBATE. THIS WOULD NOT BE NECESSARILY BAD; NEP AS DRAFTED HAS VARIOUS SHORTCOMINGS WHICH COULD CONCEIVABLY BE IMPROVED BY PARLIAMENT. WHAT IS MORE LIKELY, HOWEVER, IS THAT PARLIAMENTARY DEBATE WOULD ONLY PARALYZE ENERGY DECISION-MAKING AND SERVE PRIMARLY TO ALLOW THE PSI AND PCI TO MAKE POINTS AGAINST THE GOVERNMENT. FINAL PRODUCT COULD BE EVEN MORE NATIONALISTIC IN ITS OUTLOOK TOWARDS COOPERATION WITH PETROLEUM CONSUMERS AND THUS POTENTIALLY HARMFUL TO U.S. ENERGY POLICY INTERESTS, IN THE IEA AND ELSEWHERE, AND TO THE PETROLEUM COMPANIES, CONTROLLED IN LARGE PART BY U.S. INTERESTS. VOLPE

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